

U.S. Air Force Contracting

***Turning Dollars & Desires into Dominant
Aerospace Power!***

Government Purchase Card (GPC) Program



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Agenda

- **Program Overview**
- **Current Environment**
- **Program Management**
- **What's Next**
- **Role of Leadership**



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Program Overview

Scope

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- **49,621 active cardholder accounts (down from 78K)**
- **20,000 approving officials**

FY 02 Statistics

- **3 million transactions**
- **\$1.6 billion**
- **\$11 million in rebates**
- **96% of Air Force procurement actions**



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Current Environment

■ Completed Audits

- AFAA AF-wide Audit (F2001-C06400-0086)**
 - AFAA Audit Conclusions:**
 - AF guidance established adequate purchase controls and oversight procedure**
 - Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies**
- GAO AF-wide Audit (December 2002)**
 - GAO's Conclusion**
 - Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
 - 39 Recommendations**
- Joint Purchase Card Project - Memorandum Report**
 - Identified 339 inappropriate or unauthorized charges**
 - Net loss from fraudulent purchases and account number theft - \$2,073 (1/20th of 1% of the \$4.26M sample total)**



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Current Environment (con't)

- **Management Initiatives Decision (MID) 904**
 - **Generated from--**
 - DoD Charge Card Task Force
 - GAO Audit recommendations
 - Legislation
 - OMB Memorandum
 - **34 recommendations (Gov't Purchase Cards & Travel Cards)**
 - 11 recommendations apply only to Purchase cards
 - 11 recommendations apply to both Purchase and Travel cards
- **Quarterly Reporting to OMB**
 - # of cardholders (CHs)
 - Span of control
 - Credit limits
 - Rebates
 - Disciplinary actions



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Program Management

- **Vice Chief of Staff memo on GPC**
 - Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program
- **AFI 64-117 6 Dec 2002 revisions**
 - C.A.R.E., EDI, DD 1057 data collection requirement, annual GPC briefing to Installation Commander
- **Training**
 - Mandatory DAU On-line Training Module
 - Mandatory GSA/DoD On-line Program Manager Course
- **SAF/AQC Policy Letter on GPC (18 Mar 2003)**
 - Eliminate unnecessary accounts (minimize accounts)
 - Eliminate multiple accounts used solely to track funds
 - Span of control not to exceed 7:1



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What's Next

- **New audits**
- **DoD Charge Card Special Focus Group**
- **More revisions to 64-117 (MID 904 & GAO Audit)**
- **Proposed DoD Metrics**



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New Audits

- AFAA
 - Follow up on program controls and oversight of the GPC Program
- GAO (Code 192082), “Whether agencies are managing GPC Program to maximize potential savings”
- GAO (Code 192090), “DoD Actions to Improve Management of the Purchase Card Program”
- DoDIG (D2002LF-0101), “DoD Controls Over Purchase Cards in the Military Health System”
- DoDIG (D2003LH-0052), “Selected DoD Purchase Card Transactions Originating Outside the United States”
- DoDIG (D2003CH-0126), “DoD Purchase Card Convenience Checks”



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DoD Charge Card Special Focus Group

- Co-chaired by Joanne Bouteille (Dep Chief Financial Officer) and Dee Lee (Director, Defense Procurement)
- Tasks
 - Resolution of policy and process issues associated with implementation of the MID 904 recommendations
 - Support development of a functional architecture to support the Financial Modernization Enterprise Architecture (FMEA)
 - Education and outreach plan
 - Consideration of the most effective and efficient structure for managing the Department's charge card programs
- Results to be briefed to OSD Comptroller and PDUSD (AT&L)



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Upcoming Revisions to AFI

- **Surveillance reports be signed by contracting squadron commander/chief of contracting office**
- **Annual surveillance reports to include:**
 - Ratio of CHs to AOs
 - Ratio of CHs to employees
 - Ratio of monthly spending limits to actual spending
 - # of AOs and CHs requiring training
- **Documentation of independent receipt and acceptance by someone other than the CH**



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Proposed DoD Metrics

- File turn
- Percentage of actions under \$25,000 accomplished using the card
- Percentage of accounts in delinquent status
- Percentage of organizations passing internal control reviews
- Percentage of “frustrated freight” resulting from purchase card shipments
- Percentage of non-exempted accounts using electronic certification
- Percentage of cardholders, reviewing/certifying officials, and agency/organization program coordinators (A/OPCs) that have completed mandatory training



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Role of Leadership

- **Leadership support is key to success**
- **Must have strong management, oversight & follow-up of program**
 - Appropriate set of controls, authorities, thresholds, and processes
- **Actively participate in program management**
 - Support your GPC program manager
 - Enforce the rules
 - Ensure effective training and surveillance are accomplished
 - Terminate privileges of abusers
 - Refer disciplinary action to unit commanders
 - Cultivate base-wide leadership support
- **Team with local AFAA & OSI to prevent & detect improprieties and fraud**



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BACK-UP SLIDES



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Audits

- **AFAA AF-wide Audit (F2001-C06400-0086)**
 - **46 bases, FY 00 data**
 - **21,000 transactions based on 12 fraud indicators**
 - **Findings**
 - **Split transactions**
 - **Convenience checks >\$2,500**
 - **Construction > \$2,000**
 - **Recurring services >\$2,500 without a contract**
 - **Computer purchases without proper approvals**
 - **AFAA Audit Conclusions:**
 - **AF guidance established adequate purchase controls and oversight procedure**
 - **Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies**



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Audits (con't)

- **GAO AF-wide Audit (December 2002)**
 - One base each: AFMC, ACC, AMC, AETC
 - **Edwards, Nellis, Travis, Lackland**
 - **100 targeted transactions**
 - **GAO's Conclusion**
 - **Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
 - **39 Recommendations**



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Audits (con't)

- **Memorandum Report F2003-0002-FC3000, "Joint Purchase Card Project" - December 2002**
 - DoDIG used data mining techniques to review 3.2M transactions and referred questionable ones to AFAA to investigate
 - AFAA reviewed 2,625 transactions totaling \$4.26M at 42 locations
 - AFAA identified 339 inappropriate or unauthorized charges
 - \$6,424 in potentially fraudulent CH purchase activity
 - \$30K in third party theft of account numbers
 - \$516K - Improper card usage (split purchase, recurring services, construction services, etc.)
 - Net loss from fraudulent purchases and account number theft - \$2,073 (1/20th of 1% of the \$4.26M sample total)



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Management Initiatives Decision (MID) 904

- MID 904 recommendations generated from--
 - DoD Charge Card Task Force
 - GAO Audit recommendations
 - Legislation
 - OMB Memorandum
- **34 recommendations (Gov't Purchase Cards & Travel Cards)**
 - 11 recommendations apply only to Purchase cards
 - 11 Joint recommendation apply to both Purchase and Travel cards
- **Recommendations Include:**
 - Implement an overarching regulation covering charge card responsibilities within DoD
 - Ensure more control of charge cards when an individual leaves an organization (i.e., revise out processing procedures)
 - Evaluate credit-worthiness of an individual before issuing a Purchase Card or Travel Card



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MID 904 (con't)

■ Recommendations (con't):

- Investigate alternative methods of prosecuting fraud**
- Improve surveillance of GPC program through automated data mining tools**
- Restrict cards to no more than 1.5 million accounts DoD-wide (Purchase Cards and Travel Cards)**
- Establish job descriptions that identify responsibilities for CHs, AOs and A/OPCs**
- Establish performance standards for CHs, AOs, and A/OPCs and link these standards to performance appraisals**



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OMB Metrics

- **First Quarterly Report to OMB**
 - # of CHs - 59K
 - Span of Control Ratio - Average 1.95:1
 - Maximization of Rebates - AF earned 85% of possible rebates
 - Credit Limits - 3K CHs with limits over \$100K
 - Abuses Reported/Actions taken - 373 disciplinary actions taken



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AF Vice Chief of Staff Memo on GPC

- **Issued 16 Jan 2003**
- **Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program**
- **Stressed the importance of timely and thorough review and reconciliation of GPC statements**
- **Stated that accounts that are not reconciled within 60 days will be automatically suspended**



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AFI 64-117 Revision

- **Major Changes**
 - **C.A.R.E. EDI**
 - **Additional guidelines on purchase card as a payment tool**
 - **DD 1057 data collection requirement**
 - **Annual GPC briefing to Installation Commander**
 - **Records retention**
 - **Purchase authority up to \$25,000 from priority sources of supply (GSA and DLA stock programs)**
 - **AFAA audit findings**
- **Published 6 Dec 2002**



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GPC Training

- **Mandatory DAU On-line Training Module**
 - Basic cardholder/approving official training
 - Module is available to all users of the DAU Continuous Learning Center at <http://clc.dau.mil>
- **AFLMA Project**
 - Program manager's reference guide
 - Sample cardholder and approving official training template
 - <http://www.safaq.hq.af.mil/contracting>
- **GSA/DoD On-line Program Manager Course**
 - <http://apps.fss.gsa.gov/webtraining/trainingdocs/aopctraining/index.cfm>
- **AF OSI training on fraud detection (upcoming)**



SAF/AQC Policy Letter on GPC

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- **Issued 18 Mar 2003**
- **Eliminate unnecessary accounts (minimize accounts)**
- **Eliminate multiple accounts used solely to track funds**
- **Span of control not to exceed 7:1**
- **Suspend alternate CH and AO accounts when primary is available**
- **Mandates GSA training for GPC program managers**
- **Mandates the use of the checklist in the Surveillance Guide**
- **Cancellation of convenience check privileges for those who have repeatedly misused the checks**
- **Directs GPC managers to remind CHs and AOs of their pecuniary liability**
- **Mandates review of accounts every three months to ensure that CHs are not serving as AOs for their own accounts**



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A/OPC Position Upgrade

- Numerous recommendations that the A/OPC position be upgraded
- Working with Randolph to develop a Standard Core Personnel Document (SCPD)
- Randolph won't support a GS-11/12 position performing only GPC duties
- They have proposed a SCPD with just coordinator duties as a GS-6 (referring back to the two OPM classification decisions that graded the position as an 1106-6)
- They recommend adding non-GPC duties to the SCPD